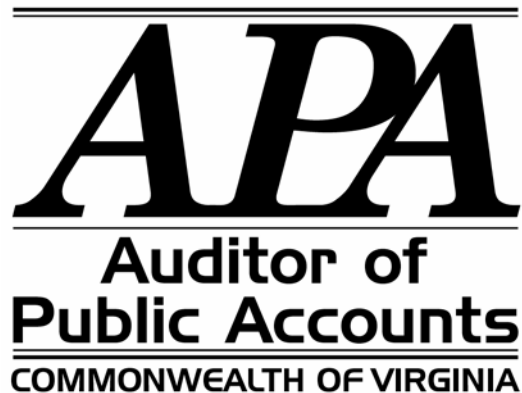


**SOUTHWEST VIRGINIA
HIGHER EDUCATION CENTER**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2006**



AUDIT SUMMARY

Our audit of the Southwest Virginia Higher Education Center for the year ended June 30, 2006, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System (CARS) and in the University of Virginia's accounting system;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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AGENCY HIGHLIGHTS

The Southwest Virginia Higher Education Center (Center) seeks to strengthen the economy of Southwest Virginia through education and training of the workforce. The Center's primary mission is to encourage the expansion of higher education, including adult and continuing education, associate, undergraduate, and graduate degree programs in Southwest Virginia and foster partnerships between the public and private sectors to enhance higher education in the region. The Center also coordinates the development and delivery of continuing education, facilitates the delivery of teacher training programs, and develops specific goals for higher education in the region in coordination with the State Council of Higher Education for Virginia.

The Center has nine academic partners:

Emory & Henry College	University of Virginia's College at Wise
Old Dominion University	Virginia Highlands Community College
Radford University	Virginia Intermont College
University of Virginia	Virginia Polytechnic Institute and State University
Virginia Commonwealth University	

The Center also leases out meeting and conference facilities during the year. Events held at the Center include training, meetings, trade shows, banquets, interviews, and seminars.

The Center offers more than 65 undergraduate and graduate degree programs through its relationship with its academic partners. Registrations for the 2005-2006 academic year increased six percent over the previous academic year. The increase is consistent with 2004-2005 over the 2003-2004 academic years.

Total Enrollment / Class Registrations

<u>Academic Year</u>	<u>Fall</u>	<u>Spring</u>
2003 - 2004	1,112	1,251
2004 - 2005	1,177	1,169
2005 - 2006	1,167	1,327

The Center administers the Southwest Burley Scholarship Program and the Southside Virginia Tobacco Teacher Scholarship and Loan Program funded by the Virginia Tobacco Indemnification and Community Revitalization Commission. The Center also received a Southwest Virginia Export Initiative economic development grant from the Commission.

Revenues and expenses of the Center for the year ended June 30, 2006, are shown in the following table.

Revenues and Expenses for the Year Ended June 30, 2006

Revenues:

State appropriations	\$1,608,642
Tobacco Foundation scholarship funding	2,503,665
Special event rentals and leased office space	665,864
Other revenues	<u>161,864</u>

Total revenues	<u>\$4,940,035</u>
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Expenses:

Compensation and benefits	\$1,056,411
Supplies and services	1,067,727
Scholarships and fellowships	2,376,562
Utilities	181,892
Depreciation	356,556
Other	<u>1,250</u>

Total expenses	<u>\$5,040,398</u>
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Source: Center's financial information recorded on the University of Virginia's accounting system

On the accrual basis of accounting, the Center's expenses exceed its revenues as a result of the recording of asset depreciation. The above table does not include capital appropriations and construction expenses since these amounts will become part of the value of capital assets at the Center.

State support for the Center through General Fund appropriations remained relatively constant in fiscal year 2006 compared to fiscal year 2005. The Center anticipates receiving an additional \$2.8 million to its existing allocation of general obligation bond funds of \$1.6 million for an expansion of the Grand Hall building. The expansion will add 6,200 square feet to the back of the building. The Center, assisted by the University of Virginia, is working with an Architectural and Engineering firm to develop the site plan and sending out the project to bid. This project will enlarge the capacity of Grand Hall and allow for the creation of second floor classrooms, as well as faculty office space. The Center expects to receive the funds in 2007. The initial timeline has the project starting late summer 2007 with completion in fall 2008.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

April 24, 2007

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the **Southwest Virginia Higher Education Center** for the year ended June 30, 2006. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

AUDIT OBJECTIVES

Our audit's primary objectives were to evaluate the accuracy of the Center's financial transactions on the Commonwealth Accounting and Reporting System and on the University of Virginia's accounting system, review the adequacy of the Center's internal controls, and test compliance with applicable laws and regulations.

AUDIT SCOPE AND METHODOLOGY

The Center's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Center's controls were adequate, had been placed in operation, and were being followed. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenues
Expenditures

Our audit also included tests of compliance with provisions of applicable laws and regulations. We tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and

observation of the Center's operations. These procedures included reviews of documents and records at the University of Virginia, which provides administrative support for the Center. We tested transactions and performed analytical procedures, including trend analyses.

CONCLUSIONS

We found that financial information for the Center was properly stated, in all material respects, as recorded and reported in the Commonwealth Accounting and Reporting System and in the University of Virginia's financial accounting system. The Center records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the University of Virginia's financial accounting system and the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

EXIT CONFERENCE AND REPORT DISTRIBUTION

We discussed this report with management on May 15, 2007. This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

JHS/whb

SOUTHWEST VIRGINIA HIGHER EDUCATION CENTER
BOARD OF TRUSTEES
As of June 30, 2006

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4th District

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40th District

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1st District

Delegate Charles W. Carrico, Sr.
5th District

Delegate David A. Nutter
7th District

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Suzanne Ellis
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Weber City, Virginia

Deborah Coffey Icenhour
Abingdon, Virginia

Lorraine Turner
Russell County Schools

Christopher Robinson
Bristol, Virginia

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Emory & Henry College

Roseann Runte, President
Old Dominion University

Penelope W. Kyle, President
Radford University

Daniel LaVista, Director
State Council of Higher Education for Virginia

Sondra Stallard, President Appointed
University of Virginia

David J. Prior, Chancellor
University of Virginia's College at Wise

Marcia Gilliam, Chancellor Appointed
Virginia Community College System

David Wilkin, President
Virginia Highlands Community College

Michael Puglisi, President
Virginia Intermont College

Charles Steger, President
Virginia Tech

EXECUTIVE DIRECTOR

Rachel D. Fowlkes